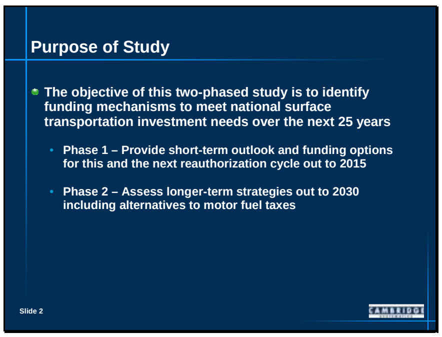
Thank you for letting me speak to this Forum. Jack Basso was really looking forward to being here, but he really felt that he must stay in Washington and hopefully assist in getting a Federal Transportation bill passed.

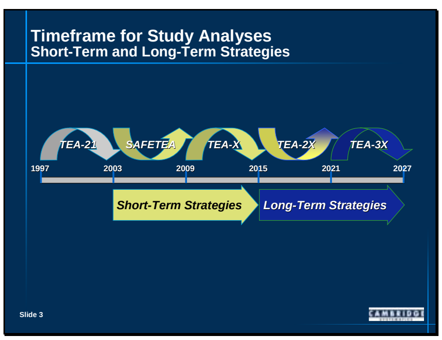
Today, I would like to discuss the national perspective of Highway and Public Transportation Finance. A study sponsored by the U.S. Chamber of Commerce/National Chamber Foundation has completed phase 1 and I would like to report the findings.



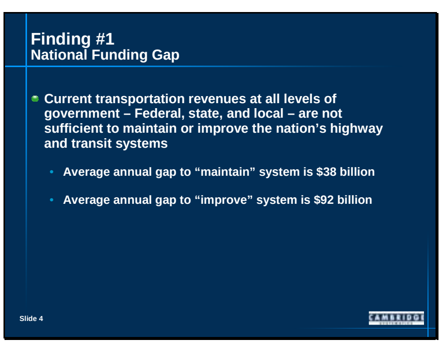
The study was to identify funding mechanisms to meet national surface transportation investment needs for the next 25 years.
The study was divided into 2 phases:

Phase 1- short term funding options out to 2015.

Phase 2- assess longer-term strategies to 2030.



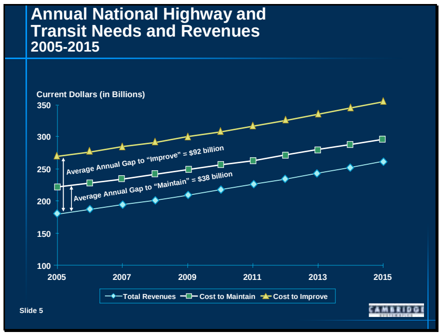
The two phases were to use the 6-year funding cycles that is currently used in the federal transportation appropriation bills.



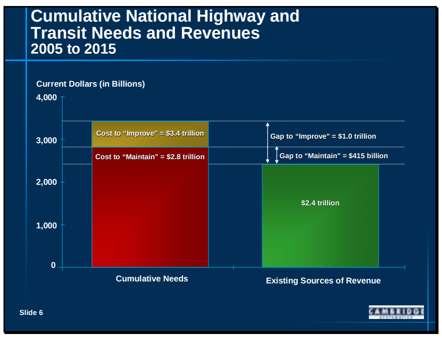
Finding #1 – National Finding Gap

Current transportation revenue at all levels- federal, state, local is not sufficient.

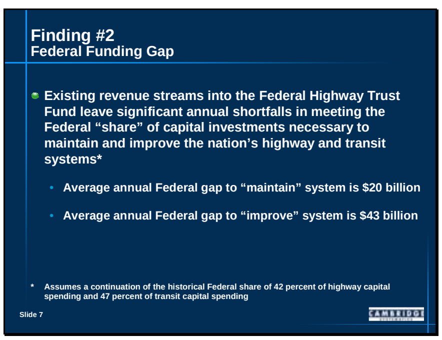
- Average annual gap to maintain is $38 billion.
- Average annual gap to improve is $92 billion.



Using the funding gap and predicting into the future, the gap will increase. This slide and the following slide graphically show needs predictions.

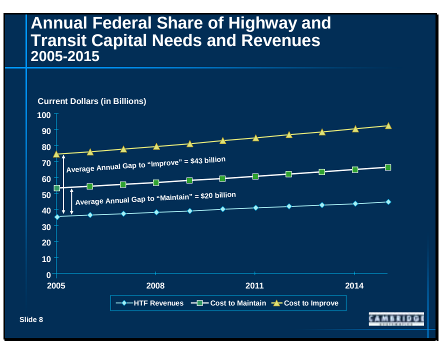


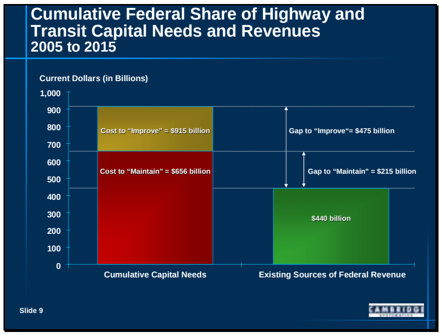
The predicted 11 year shortfall is $1 trillion to improve and $415 billion to maintain.

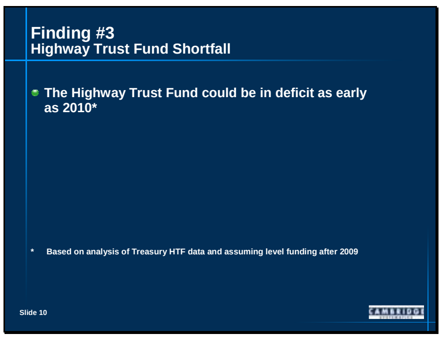


Finding #2 – Federal Funding Gap

The existing revenue streams to the Highway Trust Fund are falling short of meeting the federal share.

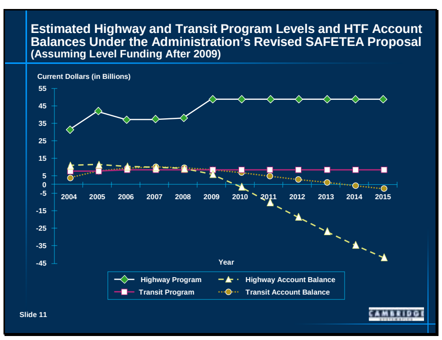




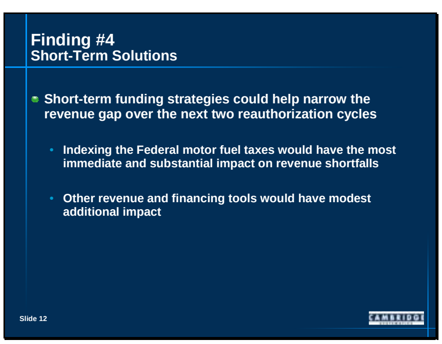


Finding #3 – Highway Trust Fund Shortfall

If the shortfall continues, the Highway Trust Fund could be in deficit as early as 2010.

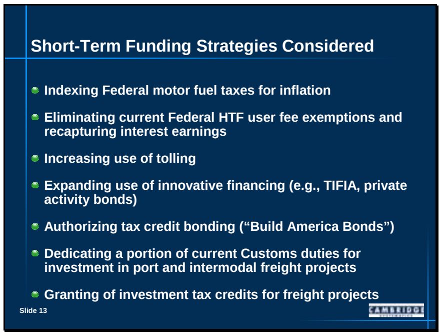


The revenue coming into the Highway Trust Fund is dropping dramatically with the current revenue generating taxes and funding. Transit funding is also predicted to take a drop in revenue.



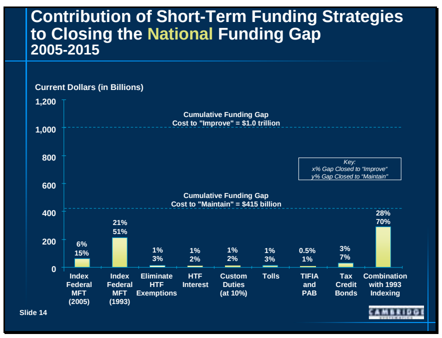
Finding #4 – Short-Term Solutions

- Indexing the Federal motor fuel taxes would have the most immediate and substantial impact on revenue shortfalls.
- Other revenue and financing tools have only a modest impact.

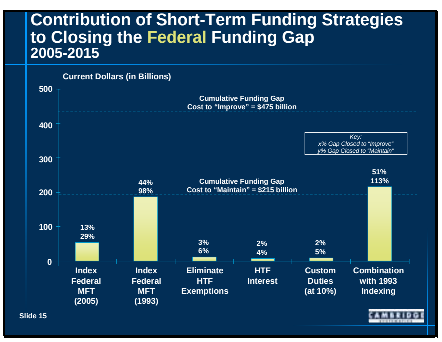


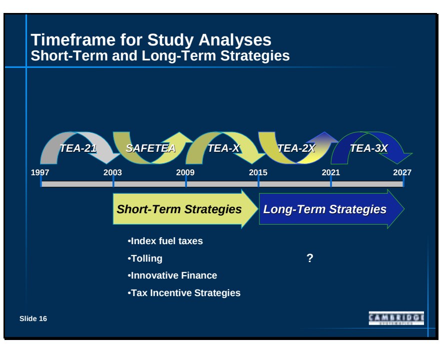
Short-term funding strategies include:

- Indexing fuel taxes to compensate for inflation. Since the last fuel tax increase in 1993, fuel tax has lost 1/3 of its purchasing power.
- Eliminate user fee exemptions and recapture interest earnings.
- Increase use of tolling.
- Expand use of innovative financing.
- Authorize tax credit bonding.
- Dedicate some of Custom duties to intermodal freight projects.
- Grant investment tax credits for freight projects.

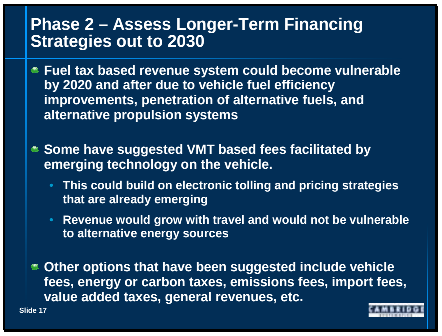


If all of the short-term funding strategies were approved, only seventy percent (70%) of the national funding gap would be met.





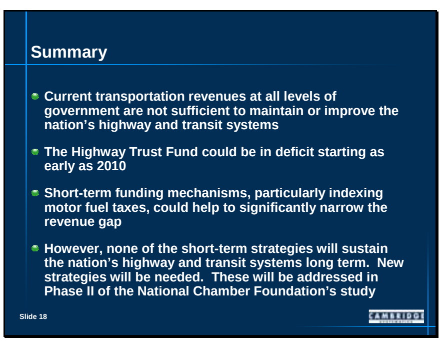
The revenue generated from indexing of fuel taxes, tolling, innovative finance, and tax incentive strategies are probably the most viable options and may keep the Highway program solvent in the short-term.



Phase 2 – Assess longer-term financing strategies out to 2030.

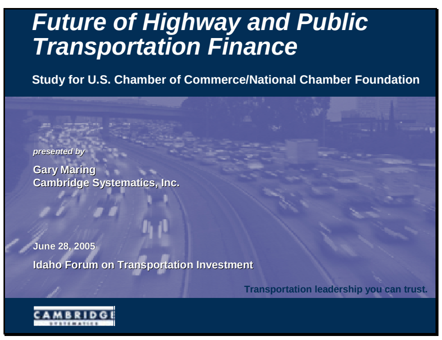
The phase 2 portion recognizes that a fuel tax-based revenue system will become increasingly more vulnerable sometime around 2020.

Vehicle efficiency, alternative fuels and alternative propulsion systems will erode current revenue generation from fuel tax. Fuel taxes on energy or carbon must be considered and fees on numerous alternatives must be considered to meet the future transportation needs.



In summary there is no silver bullet to solve transportation funding. Primarily it is agreed that:

- Current revenue is not sufficient to maintain or improve the nation's highway and transit system.
- The Highway Trust Fund could be in deficit as early as 2010.
- Short-term funding mechanisms - particularly indexing fuel taxes - could significantly narrow the revenue gap.
- New strategies will be needed to sustain the highway and transit systems long-term.



Does anyone have questions or comments?

The VMT tax could be useful in capturing revenue from recreational travel. If the federal government doesn't pursue VMT tax, urban states would be more likely to pursue. Maybe 2¢ VMT could replace current fuel tax. A tiered VMT will need to be studied.

Toll pricing is related to congestion pricing. The Virginia beltway is adding 4 tolled lanes and varied pricing related to the time of day. Others are pursuing toll usages.

The use of GARVEE bonding is not a revenue increase. GARVEE does not add revenue; it just moves money from one time to another. In the end you have to pay the money back.

Cost of construction is being closely investigated. Studies for innovative methods and research for better ways to build are all being done. Efficiencies in design/build are being explored.

Changes in weight/loads regulations are being considered. This is very contentious. NAFTA countries have different regulations and changes may be considered in later reauthorizations. Minnesota is studying heavy/longer vehicles.

In the short-term, how likely is new revenue from the General Fund or other options? A change in ethanol taxing is highly probable; and $34 billion directed to customs is coming from the General Fund and Agriculture funding.

The indexing of fuel tax is not very supported by politicians. Congress hasn't committed and there has been a recommendation for a commission to study transportation funding.

Thank you Gary for your enlightening presentation. You have given us a lot to consider.